ElectraLink

2014 ANNUAL REPORT & FINANCIAL STATEMENTS

COMPANY NO: **03271981**

CONTENTS

DIRECTORS, OFFICERS & PROFESSIONAL ADVISERS

DIRECTORS

K D Lee	Non Executive Director and Chairman
H Jones	Non Executive Director
J Purdy	Non Executive Director
J McOmish	Non Executive Director
P Geddes	Non Executive Director
S Lacey	Executive Director

OFFICERS

S Lacey	Chief Executive
B O'Shea	Chief Financial Officer and Company Secretary
P Gath	Chief Technical Officer
G Jones	Business Development Director

REGISTERED OFFICE

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Grafton House
2-3 Golden Square,
London. WIF 9HR

BANKERS

HSBC plc
60 Queen Victoria Street
London. EC4N 4TR

INDEPENDENT AUDITOR

Deloitte LLP
London. EC4A 3BZ
United Kingdom

SOLICITORS

Marshall Haines
351 Norton Way South
Letchworth,
Hertfordshire. SG6 1SZ

Herbert Smith Freehills LLP
Exchange House
Primrose Street,
London. EC2A 2HS

CHAIRMAN'S REPORT

I AM PLEASED TO REPORT ON A YEAR OF SOLID PROGRESS IN OUR SERVICE DEVELOPMENT, SERVICE DELIVERY, AND FINANCIAL PERFORMANCE.

It has been a year of considerable technical activity at ElectraLink as we undertook our 'Transformation Programme', equipping our core business of the Data Transfer Services (DTS) to meet future industry needs we had identified with our customers. We have renewed all of the applications supporting the DTS and moved its central functions to a secure 'private cloud' environment. The rewards for this are a high degree of 'future proofing', support for a wider range of services, scalability, and lower costs. In 2015 we will, as a finale to this transformation, renew all DTS gateway hardware or, at each customer's option, port this too to a secure cloud environment. High system availability was maintained throughout the transition and the few snags that occurred were quickly resolved without significant service impacts. The DTS continues to perform excellently and our independently conducted survey has again shown industry-leading customer satisfaction ratings.

WE REPORT COMPANY PROFITS BEFORE TAX OF £1.90M FOR 2014 [2013: £1.64M]

We report company profits before tax of £1.90m for 2014 (2013: £1.64m). The company's overall financial performance again reflects the composite of both its core activity of funding and operating the DTS on behalf of GB electricity industry companies and its commercial activities, which provide data and governance services across the energy sector.

The majority of DTS profits, around £0.8m after amortisation costs, arise from our achieving lower than budgeted costs for the development and operation of the data transfer network coupled with additional revenue arising from a 6.7% year on year increase in users' network traffic. Under the pricing formula in the Data Transfer Service Agreement, these benefits will feed back into future DTS user charges alongside the ongoing cost savings we have achieved under the new contract now in place with HP. We reduced user charges by 10% at the beginning of 2014 with a further price reduction of 5.5% for 2015. ElectraLink's staff continues to work towards reducing the cost of the DTS to its users.

Growth in our commercial revenues has meant our profitability from these has increased to £1.09m [2013: £1.03m].

WE MAINTAIN A STRONG BALANCE SHEET WITH YEAR-END WORKING CAPITAL OF £4.5M (2013: £4.4M)

We have no given franchise for commercial services and must compete for this business by offering quality and value. We have been particularly successful in expanding our Governance Services activities, with new contracts that will bring appreciable income in future years. We have also continued to fund our investment in working with our customers to find new ways of developing 'Energy Market Insight', our service to analyse industry and third party data to identify potential improvements in energy industry operating practices. Our efforts here have begun to progress from good ideas into tangible income.

The board was pleased to make a £0.54m dividend payment in November 2014, ahead of historical levels of distribution prior to our exceptional dividend of £1.4m in 2013 and reflecting continuing growth in our commercial activities. Subsequent to this distribution, we maintain a strong balance sheet with year-end working capital of £4.5m (2013: £4.4m) and an aggregate £4.1m (2013: £4.7m) of cash at bank and cash investments, sufficient to meet all of the needs of the DTS and potential commercial activities in our business plan without recourse to external funding.

ElectraLink's future rests with continuing to innovate in support of the energy industry's collective endeavours. On behalf of the Board, may I thank our shareholders and customers for their continuing support in 2014 and the executive team and all of our staff for their commitment and achievements in the development and delivery of our service throughout 2014.

KEVIN LEE
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

I AM PLEASED TO REPORT THAT OVER THE LAST 12 MONTHS ELECTRALINK HAS CONTINUED TO GROW AND TRANSFORM ITS OPERATIONS.

ElectraLink's core business is the delivery of the Data Transfer Service (DTS) to the GB retail electricity market, a service that is governed by the electricity industry and regulated by Ofgem. In 2014, we completed a major technical transformation of the DTS to prepare it for the challenges of an evolving energy market. The role of the DTS is to provide a secure and cost effective means for accredited market participants to transfer data between themselves and be a key facilitator of competition in the GB retail energy market.

In parallel to this technical transformation, we completed during 2014 a top to bottom review of the governance arrangements of the DTS. This review is now in the final stages of completion and will ensure that the governance arrangements of the DTS reflect its role as the data backbone of the energy industry during a period of significant market change. One example of how change is driving the evolution of the DTS was the introduction during the year of Electricity Market Reform (EMR), which the DTS has mobilised to support.

ELECTRALINK'S COMMERCIAL BUSINESS HAS CONTINUED TO GROW WITH REVENUES UP 9% (2013: 5%) ON THE PRIOR YEAR

During 2014, we have managed DTS operating expenses effectively resulting in a reduction of the cost of the service of 10% from the start of 2014 and a further 5.5% from the start of 2015. Service levels have been maintained and customer satisfaction with the DTS remains the highest of all the providers of central services to the GB energy market. These excellent results are a tribute to the dedicated ElectraLink team and our service providers. 2014 total traffic volume on the DTS was 784Gb reflecting growth of 8% year on year to 2013, a rate of increase which is set to increase in 2015 with the extension of half-hourly settlement and the introduction of EMR traffic. The migration of the DTS to a virtual private cloud environment, undertaken as part of the DTS Transformation Programme during 2014, will allow us to maintain the downward trajectory of DTS costs whilst increasing traffic volumes.

In parallel to the DTS, ElectraLink supports the GB energy industry with a number of innovative commercial services through consent granted by Ofgem to our shareholders. These services facilitate the operation of the energy market, reduce costs and allow participants to deliver a better experience to their customers. ElectraLink's commercial business has continued to grow with revenues up 9% (2013: 5%) on the prior year. Our Governance Services business won the contract to support the Smart Metering Installation Code of Practice (SMICoP) and continues to facilitate the considerable volume of energy market governance change currently underway.

Our Energy Market Insight (EMI) business continues to grow utilising, with the permission of DTS Users, market data to provide market transparency and to facilitate innovation. In response to the industry challenge of installing 50 million smart meters by 2020, ElectraLink launched in September 2014 an EMI service that predicts at a property level the difficulty of a smart meter installation. This combines DTS market data with property data provided by our partners Energy Savings Trust, to create an innovative service that will be able to reduce significantly the overall cost of smart meter installation.

THE COMPANY ENDED THE YEAR IN A STRONG FINANCIAL POSITION WITH NET ASSETS OF £6.2M (2013: £5.3M)

Whilst continuing to invest in the DTS and innovative commercial services, ElectraLink has maintained a strong financial position. The company generated a 23% (2013: 20%) net profit before tax margin in 2014 and gross profits rose by 5%. Total turnover fell by 2% in the year due to the DTS price reductions. The company ended the year in a strong financial position with net assets of £6.2m (2013: £5.3m). This is after the payment of a dividend to shareholders of £540k during the year. Aggregate cash at bank and cash investments at the year-end are £4.1m (2013: £4.7m).

ElectraLink has a unique position in the UK energy market as a Central Body, owned by the Distribution Network Operators , which operates across the whole of retail electricity and large parts of the retail gas markets. Looking forward, the UK energy market is now embarking on a period of profound change. ElectraLink has a strong team, committed shareholders, and relative financial strength. These will allow us to grow both as a Central Body and as an innovative provider of energy market data analytics, data transfer and governance services. We are already building on the capabilities of the DTS with the introduction during 2015 of a XML messaging format. We expect that the markets for high quality, cost effective governance services and data analytics will continue to grow as energy market competition increases. ElectraLink is well positioned to benefit from these developments.

STUART LACEY
CHIEF EXECUTIVE

STRATEGIC REPORT

OUR ONGOING MARKETING ACTIVITIES IN THE YEAR HAVE PROVIDED US WITH A SOUND FOUNDATION ON WHICH TO BUILD OUR COMMERCIAL SERVICES PORTFOLIO

BUSINESS REVIEW

The company has ended the year in a strong financial position with sufficient net assets and liquid resources available to meet all our anticipated trading and operational commitments for the coming year. Net assets at the year-end are £6.2m (2013: £5.3m) and working capital is £4.5m (2013: £4.3m). The company had aggregate cash at bank and cash investments, see note 15, of £4.1m (2013: £4.7m) at the year-end date.

Overall, the company generated a 23% (2013: 20%) net profit before tax return on sales, reflecting:

- the improved financial performance of the DTS due to the impact of the winding down of the DTS Asset amortisation costs, with the new asset investment being lower;
- increased revenues generated through the continuing growth in usage of the DTS to exchange industry data;
- strong performance of our commercial technology and governance services with growth in both revenues and operating profits; and
- the DTS continues to be provided in accordance with the DTS Charging Principles that set out the cost pass-through and investment recovery arrangements for that service. Any accelerated or delayed investment recovery in one year is a timing item reversed in the subsequent year through a "k factor" adjustment to the pricing, thus impacting profits in that subsequent year.

In 2014, ElectraLink continued to deliver sector leading service excellence as demonstrated by the growth of new technology contracts and expansion of existing governance services contracts. Our ongoing marketing activities in the year have provided us with a sound foundation on which to build our commercial services portfolio. During 2014, the company continued to invest in strengthening its market position, through contribution to and participation in industry initiatives as well as increasing our internal delivery and development resource.

The challenge for the coming year will be to continue to build upon our excellent service delivery record and increase and expand our service portfolio in the UK utilities markets, capitalising on technology and governance opportunities arising out of the planned roll out of Smart Metering and the continued development of our Energy Market Insight services capability.

RISK MANAGEMENT

The Board examines the major strategic, business and operational risks that the Company faces on a regular basis, including formal reviews at Board Meetings. A system has been established that ensures risks are monitored and reported regularly at all levels, and that appropriate actions are in place to mitigate perceived significant risks.

ElectraLink maintains a comprehensive set of delegations of authority and financial regulations, and all material breaches are reported to the Audit Committee. The financial controls and procedures are reviewed regularly and there were no breaches during the year.

The Board has a clear risk management strategy. As part of that strategy, it regularly assesses business risk by reviewing and updating the corporate risk register in context of developments in the external environment and internal operations. A number of core risks are continuously managed including:

- The impacts of regulatory and industry changes taking place in relation to our core contracts;
- Increased competition from existing competitors and new entrant data analytics organsiations into the energy market;
- Dependency on key suppliers; and
- Other internal operational risks include the retention of key talent and infrastructure resilience.

These risks are regularly appraised and mitigating actions are put in place as appropriate. The risks facing the business are regularly assessed against the 3 year Business Plan, which is reviewed on an annual basis and modified to reflect significant changes in the operating environment.

Approved by the Board of Directors and signed on behalf of the Board

K D LEE
DIRECTOR

18 March 2015

ELECTRALINK MAINTAINS A COMPREHENSIVE SET OF DELEGATIONS OF AUTHORITY AND FINANCIAL REGULATIONS, AND ALL MATERIAL BREACHES ARE REPORTED TO THE AUDIT COMMITTEE

DIRECTOR'S REPORT

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014.

THE COMPANY'S PROFIT AFTER TAX FOR THE YEAR ENDED 31 DECEMBER 2014 WAS £1,468,648 (2013: £1,230,368)

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of the Data Transfer Service ("DTS"), which underpins the effective and efficient exchange of business critical data between electricity supply, distribution, meter agents and the balancing and settlement code company in the UK domestic electricity supply market.

The company also provides data management services to customers in the wider electricity and gas markets in support of their Distribution Use of System ("DuoS"), Gas Metering, Notification of Old Supplier Information ("NOSI"), Review of Gas Metering Arrangements ("RGMA") and File Cloner activities. Since 2012, the company also provides Energy Market Insight services to electricity market participants using the DTS data set to improve the efficiencies of the energy market.

The company also provides sector leading code administration and secretarial agreement services in support of code governance arrangements in both the electricity and gas markets.

DIRECTORS

The directors who served throughout the year were:

K D LEE	(Chairman)
H JONES	
J PURDY	(appointed on 16 April 2014)
J McOMISH	(appointed on 16 April 2014)
P GEDDES	(appointed on 16 April 2014)
T McENTEE	(resigned on 16 April 2014)
D MUTTON	(resigned on 16 April 2014)
D SHATTOCK	(resigned on 21 March 2014)
S LACEY	

RESULTS AND DIVIDENDS

The audited accounts for the year ended 31 December 2014 are set out on pages 16 to 28.

The company's profit after tax for the year ended 31 December 2014 was £1,509,698 (2013: £1,230,368).

The directors do not recommend the payment of a final dividend. An interim dividend of £540,054 was declared and paid during the year (2013: £1,400,000).

THE BOARD APPROVES THE COMPANY'S ANNUAL BUDGET, CAPITAL EXPENDITURE PROPOSALS, BUSINESS DEVELOPMENT PLANS, GOVERNANCE AND COMPLIANCE AND HAS OVERSIGHT OF THE COMPANY'S OPERATING AND FINANCIAL PERFORMANCE

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director's have taken all the steps that they ought to have taken as a directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE: BOARD STATEMENT

ElectraLink is committed to maintaining high standards of corporate governance throughout its activities. The company is a private limited company and is not subject to the corporate governance principles and practice set out in the September 2012 UK Corporate Governance Code ("the Code") as incorporated in the UK Listing Authority Listing Rules. However, the Board has adopted those provisions in the September 2012 edition of the Code on corporate governance and in respect of the conduct of audit committees that the directors consider appropriate for the company.

THE BOARD

There is an effective and appropriately constituted Board that receives such information as required to properly fulfil its duties. The Board currently comprises a Non-Executive Chairman; four Non-Executive Directors and one Executive Director who together bring a wide range of skills and experience to the Board. All directors are obliged to submit themselves for re-election at least every three years.

The Board normally meets every month and may meet on an ad hoc basis to consider matters that are time critical. The Board's principal focus is the overall strategic direction, development, and operation of the company. In support of this focus, the Board approves the company's annual budget, capital expenditure proposals, business development plans, governance and compliance and has oversight of the company's operating and financial performance. The Board is also responsible for the company's overall system of internal controls.

The Board takes the opportunity afforded by the AGM to ensure the company's operating performance and plans are communicated to shareholders. In addition, the company's forward-looking business plan is presented to shareholders at the end of each financial year and shareholders are provided regular updates on key strategic matters throughout the year.

THE COMPANY HAS CONSIDERABLE FINANCIAL RESOURCES, NO BORROWINGS AND, DUE TO THE NATURE OF ITS CORE BUSINESS, A SECURE REVENUE STREAM

PRINCIPAL BOARD COMMITTEES

The Board has established Audit, Remuneration, and Nomination committees comprising the Non-Executive Directors only supported by members of the executive management team and professional advisers as required to ensure appropriate governance procedures and controls are applied.

The Audit Committee is chaired by the Non-Executive Chairman and its terms of reference include the review of the company's annual financial statements, accounting policies and internal management and financial controls. It also considers the appointment and fees of the external auditor and reviews the audit scope as well as the findings and management letters arising from audits. The fees for non-audit services provided by the auditor are reviewed and agreed by the Board. Company Officers and the external auditor attend meetings at the request of the committee.

The Remuneration Committee's key role is to determine the appropriate levels of remuneration for the company's executive management team. Directors' remuneration is set at the level appropriate to the size of the business and commensurate with the need to run the business successfully and is approved by the shareholders at the AGM.

The Nominations Committee considers arrangements for the appointment of directors and appointments of senior managers within the executive management team.

INTERNAL CONTROL

The Board is responsible for the company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and is not an absolute assurance against material misstatement or loss.

The Board has reviewed the key business, financial, operational and compliance risks facing the company, prioritised their significance and determined current procedures and processes in place to detect and address them. The Board has also developed a mechanism for the monitoring of risk and associated controls and a company risk register is reviewed by the Board quarterly.

GOING CONCERN

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic report, the Chairman's report and the Chief Executive's report. These reports also outline the company's financial position, liquidity position and financial risk management risks.

The company has considerable financial resources, no borrowings and, due to the nature of its core business, a secure revenue stream. Therefore, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Approved by the Board of Directors
and signed on behalf of the Board

K D LEE
DIRECTOR

18 March 2015

STATEMENT OF **DIRECTORS' RESPONSIBILITIES**

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRALINK LIMITED

OUR RESPONSIBILITY IS TO AUDIT AND EXPRESS AN OPINION ON THE FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND INTERNATIONAL STANDARDS ON AUDITING (UK AND IRELAND)

WE HAVE AUDITED THE FINANCIAL STATEMENTS OF ELECTRALINK LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014 WHICH COMPRISE THE PROFIT AND LOSS ACCOUNT, THE BALANCE SHEET, THE CASH FLOW STATEMENT AND THE RELATED NOTES 1 TO 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and

the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

DEAN COOK
MA FCA (SENIOR STATUTORY AUDITOR)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

18 March 2015

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 £	2013 £
TURNOVER	2	**8,227,642**	**8,370,270**
Cost of sales		(2,908,729)	(3,337,189)
GROSS PROFIT		**5,318,913**	**5,033,081**
Operating expenses	3	(3,435,182)	(3,413,177)
OPERATING PROFIT		**1,883,731**	**1,619,904**
Interest receivable and similar income	4	14,176	23,779
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	**1,897,907**	**1,643,683**
Tax charge on profit on ordinary activities	7	(388,209)	(413,315)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	**1,509,698**	**1,230,368**

THE COMPANY'S RESULTS ARE ALL DERIVED FROM CONTINUING ACTIVITIES. THERE ARE NO RECOGNISED GAINS OR LOSSES IN EITHER YEAR OTHER THAN THE PROFIT FOR THIS YEAR AND THE PROFIT IN THE PREVIOUS YEAR, AND AS SUCH NO SEPARATE STATEMENT OF RECOGNISED GAINS AND LOSSES IS PRESENTED.

BALANCE SHEET

AS AT 31 DECEMBER 2014

	NOTES	2014 £	2013 £
FIXED ASSETS			
Tangible assets	9	1,732,186	904,105
CURRENT ASSETS			
Debtor: amounts falling due within one year	10	2,082,821	1,798,723
Debtors: amounts falling due after one year	10	24,597	-
Investments	11	1,784,073	1,777,828
Cash at bank and in hand		2,276,292	2,914,927
		6,167,783	6,491,478
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(1,664,736)	(2,129,994)
NET CURRENT ASSETS		4,478,450	4,361,484
TOTAL ASSETS LESS CURRENT LIABILITIES		6,235,233	5,265,589
NET ASSETS		6,235,233	5,265,589
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Profit and loss account	14	6,234,233	5,264,589
SHAREHOLDERS' FUNDS	18	6,235,233	5,265,589

THE FINANCIAL STATEMENTS OF ELECTRALINK LIMITED, REGISTERED NUMBER 03271981 WERE APPROVED BY THE BOARD OF DIRECTORS AND AUTHORISED FOR ISSUE ON 18 MARCH 2015.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

K D LEE, DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 £	2013 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	15(a)	1,469,375	2,542,957
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		18,655	18,776
TAXATION			
Taxation (paid)		(377,390)	(188,122)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(1,202,976)	(510,623)
Proceeds from sale of tangible fixed assets		-	1,121
EQUITY DIVIDENDS PAID			
Dividends paid		(540,054)	(1,400,140)
MANAGEMENT OF LIQUID RESOURCES			
(Increase) / decrease in short-term investments	15(b)	(6,246)	1,041,197
(DECREASE) / INCREASE IN CASH	15(c)	(638,636)	1,505,166

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the year and the preceding year.

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom law and accounting standards.

GOING CONCERN

The financial statements have been prepared on the going concern basis for the reasons set out in the Directors' Report.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

DTS asset	over life of service contract
Leasehold improvements	over life of lease
Fixtures and fittings	three years
Computer equipment	three years

TURNOVER

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

COST OF SALES

Cost of sales represents amounts payable for services received from external network service providers recognised on an accruals basis.

PENSION COSTS

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

FINANCE COSTS

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (CONTINUED)

RECOGNITION OF PROFITS AND LOSSES

The accounts have been prepared on the basis of revenues and costs incurred in the year, which are considered to reflect the services provided in the year.

TAXATION

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

LEASES

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

2. SEGMENT REPORTING

The company's turnover is derived from the delivery of data transfer services, other technology services and the provision of administration and secretarial support services to the electricity and gas companies and is 100% earned in the UK.

3. OPERATING EXPENSES

Operating expenses for the year included the following:

	2014 £	2013 £
Smart Metering Implementation Program	–	64,032
Regulated DTN environment	54,193	145,753
	54,193	209,785

Additional operating expenses have been incurred in the current year outside the normal course of business. The costs are set out above relate to costs incurred with the review of the DTSA Governance review and represent the legal fees incurred.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £	2013 £
Interest receivable	14,176	23,779

The interest receivable is generated from short term cash deposits and late payment interest charges.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets	488,522	698,770
OPERATING LEASE RENTALS		
- plant and machinery	6,106	4,669
- property rental	131,129	131,129
OPERATING LEASE RENTALS		
- audit fees - payable to the company's auditor for the company's annual accounts	43,850	42,475
- non-audit fees- payable to the company's auditor and their associates for other services to the company	10,300	10,000

6. STAFF COSTS

Employee costs (excluding executive and non executive directors' costs) during the year amounted to:

	2014 £	2013 £
Wages and salaries	1,440,957	1,416,781
Social security costs	181,458	167,759
Pension costs	124,694	135,283
	1,747,109	1,719,823

The company operates a group personal pension scheme. Contributions from the employee are on the basis of salary sacrifices elected by employees supplemented by a company matched contribution.

This is accounted for as a defined contribution scheme under FRS 17. The outstanding balance at year end was £10,827 (2013: £11,686), included within creditors: amounts falling due within one year (note 12).

The average number of persons directly employed by the company during the year was as follows:

	2014 No.	2013 No.
Managerial, technical and administration staff	22	20

6. STAFF COSTS (CONTINUED)

DIRECTORS' REMUNERATION

The remuneration in respect of directors was as follows:

	2014 £	2013 £
Emoluments (excluding pension contributions)	396,564	398,203
Contribution to defined contribution scheme	14,065	24,314
	410,629	422,517

	2014 No.	2013 No.
Number of directors whom are members of defined contribution scheme	1	1

	2014 £	2013 £
REMUNERATION OF THE HIGHEST PAID DIRECTOR		
Emoluments	306,340	287,703
Contribution to defined contribution scheme	14,065	24,314
	320,405	312,017

During the year the company paid a total of £32,519 (2013: £40,500) to shareholder companies for the provision of services of directors (see note 17).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The Finance Act 2013 announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2012 from 24% to 23%. Subsequently a further reduction from 23% to 21% was announced for the period beginning 1 April 2014 and substantively enacted on 17 July 2013 under the Provisional Collection of Taxes Act 1968. These changes have therefore been reflected where appropriate in the financial statements.

The tax charge is based on the profit for the period

	2014 £	2013 £
United Kingdom corporation tax	421,991	389,502
(Over) / under provision in respect of prior years	(16,540)	20
Total current tax	405,451	389,522
DEFERRED TAX		
Origination and reversal of timing differences	(17,242)	23,793
Total tax on profit on ordinary activities	388,209	413,315

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2014 £	2013 £
Profit on ordinary activities before tax	1,897,907	1,643,683
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 21.5% (2013: 23.5%)	408,454	386,266
EFFECTS OF:		
Expenses not deductible for tax purposes	3,708	3,735
Depreciation in excess of capital allowances	10,233	(499)
Marginal relief	-	-
Under/ (over)provision in respect of prior years	(16,540)	20
Current tax charge for period	405,451	389,522

8. DIVIDENDS PAID AND DECLARED

	2014 £	2013 £
EQUITY SHARES		
Interim dividend declared and paid £54 (2013: £140) per ordinary share	540,054	1,400,140

9. TANGIBLE FIXED ASSETS

	DTS ASSET	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION	LEASEHOLD IMPROVEMENTS	FIXTURES AND FITTINGS	COMPUTER EQUIPMENT	TOTAL
	£	£	£	£	£	£
COST						
At 1 January 2014	5,101,437	395,105	187,681	60,551	401,279	6,146,053
Additions	1,287,708		-	-	28,894	1,316,602
Transfer	395,105	(395,105)	-	-	-	-
At 31 December 2014	6,784,250	-	187,681	60,551	430,173	7,462,655
ACCUMULATED DEPRECIATION						
At 1 January 2014	4,840,962	-	108,401	60,366	232,218	5,241,947
Charge for the year	388,435	-	20,975	182	78,931	488,522
At 31 December 2014	5,229,397	-	129,376	60,548	311,149	5,730,470
NET BOOK VALUE						
At 31 December 2014	1,554,853	-	58,305	3	119,024	1,732,185
At 31 December 2013	260,475	395,105	79,280	185	169,061	904,105

As at 31 December 2013, there was an asset under construction valued at £395,105 reflecting initial milestone payments for the enhancement and transformation of the DTS Asset. During 2014, this work was substantively completed and all capital additions relating to development milestones achieved in 2014 were capitalised as Additions to the DTS Asset. This enhanced DTS Asset went live from 01 June 2014 and depreciation began from that date. Included in DTS Asset additions is £113,626 relating to a milestone achieved in December 2014. The 2014 depreciation charge for DTS Additions and Transfers is £127,960. The remaining depreciation charge of £260,475 relates to the old DTS Asset in use at 31 December 2013. This amount was fully depreciated by May 2014.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014

10. DEBTORS

	2014 £	2013 £
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Trade debtors	1,220,076	907,167
Amounts due from shareholders (note 17)	28,655	35,693
Other debtors	30,841	23,341
Prepayments and accrued income	803,249	832,521
	2,082,821	1,798,723
AMOUNTS FALLING DUE AFTER ONE YEAR:		
Other debtors	24,597	-

11. INVESTMENTS

Investments comprise cash deposits maturing in periods of more than 24 hours, but less than three months of the balance sheet date. All cash deposits are placed with UK banks. Investments are held in various banks, with high credit ratings.

12. CREDITORS

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Trade creditors	58,149	725,428
UK corporation tax	421,991	393,930
Deferred tax liability	12,712	29,954
Other creditors	216,551	216,576
Accruals and deferred income	955,333	764,106
	1,644,736	2,129,994

DEFERRED TAX

The movement on the deferred taxation balance is as follows:

	2014 £	2013 £
At 1 January	(29,954)	(6,161)
Credited/(Debited) to the profit and loss account	17,242	(23,793)
At 31 December	(12,712)	(29,954)

The amounts provided in the accounts are as follows:

	2014 £	2013 £
Capital allowances in excess of depreciation	(10,547)	(28,999)
Pension Scheme	(2,165)	(955)
At 31 December	(12,712)	(29,954)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014

13. SHARE CAPITAL

	2014 £	2013 £
CALLED UP, ALLOTTED AND FULLY PAID: 10,001 ordinary shares of 10p each	1,000	1,000

14. RECONCILIATION OF MOVEMENT IN PROFIT AND LOSS ACCOUNT

	2014 £	2013 £
Profit after tax for the financial year	1,509,698	1,230,368
Dividends	(540,054)	(1,400,140)
Retained profit / (loss) for the year	969,644	(169,772)
Opening profit and loss account	5,264,589	5,434,360
Closing profit and loss account	6,234,233	5,264,589

15. CASH FLOW INFORMATION

(A) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Operating profit	1,883,731	1,619,904
Depreciation charges	488,522	698,770
Profit on disposal of fixed assets	-	(181)
Increase in debtors	(313,174)	(264,216)
(Decrease) / increase in creditors	(589,703)	488,679
Net cash inflow from operating activities	1,469,375	2,542,957

(B) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 £	2013 £
(Decrease)/ increase in cash in the year	(638,636)	1,505,167
Increase / (decrease) in current asset investments	6,246	(1,041,197)
(Decrease)/ Increase in net funds	(632,390)	463,970
Net funds at 1 January	4,692,755	4,228,785
Net funds at 31 December	4,060,365	4,692,755

(C) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1 JAN 2014 £	CASHFLOWS £	31 DEC 2014 £
Cash at bank and in hand	2,914,927	(638,636)	2,276,292
Current asset investments	1,777,828	6,246	1,784,073
Total	4,692,755	(632,390)	4,060,365

16. FINANCIAL COMMITMENTS

	2014		2013	
	PLANT AND EQUIPMENT £	OTHER £	PLANT AND EQUIPMENT £	OTHER £
EXPIRY DATE				
Between two and five years	6,106	-	4,669	-
Thereafter	-	131,129	-	131,129

At 31 December 2014, the company had payments on account of £113,626 outstanding in respect of the replacement DTS Asset in the course of construction. A further payment of £24,589 will be remitted on completion of the final milestone. All remaining contractual milestones and payments are expected to complete in early 2015.

17. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTIES

The company is owned by the 14 electricity distribution licence holder companies in England, Scotland and Wales with a distribution services area specified in their licence, each of whom owns less than 10% of the share capital. The company provides data transfer and governance services to its shareholders and to other parties. There is no ultimate controlling party.

Year end balances due from each of its shareholders are as follows (note 10):

	2014 £	2013 £
Eastern Power Networks plc	4,825	4,500
Western Power Distribution (East Midlands) plc	2,168	1,500
Scottish Hydro Electric Power Distribution Ltd	82	590
London Power Networks plc	-	-
SP Manweb plc	167	-
Western Power Distribution (West Midlands) plc	1,830	1,668
Northern Powergrid (Northeast) Ltd	3,492	6,876
Electricity North West Limited	2,194	2,116
South Eastern Power Networks plc	110	-
Southern Electric Power Distribution plc	3,433	6,350
SP Distribution Ltd	3,496	3,195
Western Power Distribution (South West) plc	2,427	1,563
Western Power Distribution (South Wales) plc	-	-
Northern Powergrid (Yorkshire) plc	4,431	7,335
	28,655	35,693

Trading with shareholders throughout the year was undertaken in the normal course of business, with all charges made on the same basis as other users of the same services. The aggregate value of turnover to shareholders was £361,944 (2013: £351,524).

Fees, including reimbursement of expenses paid to third parties in respect of directors' services:

	2014 £	2013 £
Western Power Distribution (South West) plc	-	19,000
Northern Powergrid (Northeast) Limited	19,000	21,500
UK Power Networks	13,519	-
	32,519	40,500

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	EQUITY SHARE CAPITAL £	PROFIT AND LOSS ACCOUNT £	TOTAL EQUITY SHARE-HOLDERS' FUNDS £
As at 1 January 2014	1,000	5,264,589	5,265,589
Profit on ordinary activities after taxation	-	1,509,698	1,509,698
Dividends paid	-	(540,054)	(540,054)
Total	1,000	6,234,233	6,235,233

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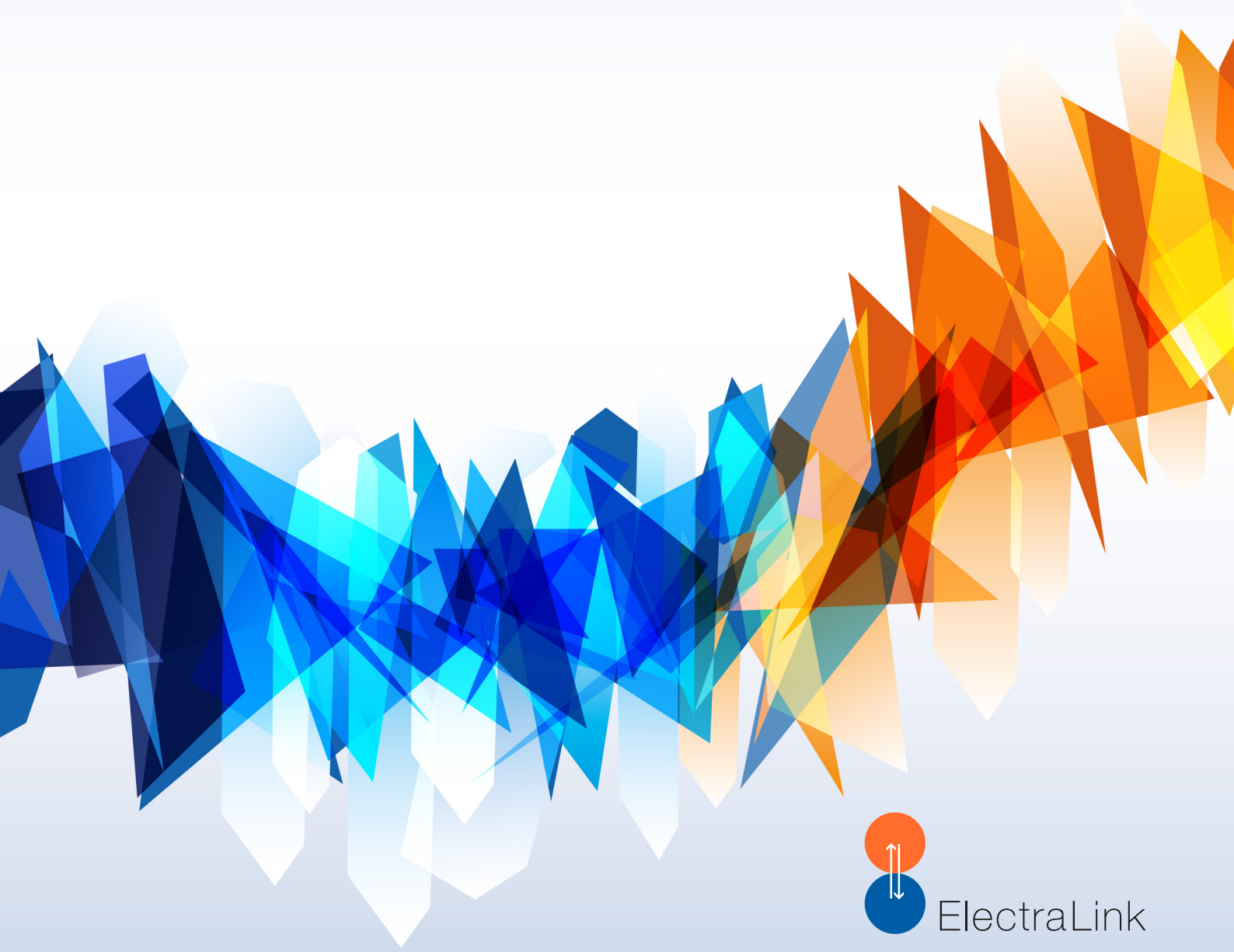

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